

Message Text

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ACTION EB-07

INFO OCT-01 CIAE-00 COME-00 DODE-00 NRC-05 NSAE-00 TRSE-00

EA-07 ERDA-05 ISO-00 ACDA-05 AID-05 /035 W

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R 150522Z JAN 76

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8739

INFO USLO PEKING

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EXCON

FOR EA/PRCM

E.O. 11652: N/A

TAGS: ESTC, BEXP, ETRD ETEL, CH, US

SUBJECT: EXPORT CONTROL REQUIREMENTS FOR VIDEO TAPE SALES TO
CHINA

REF: 75 HONG KONG 12652

1. AMPEX MANAGER RAY SMART
HAS APPROACHED CONGEN TO REQUEST
OUR ASSISTANCE IN OBTAINING A ONE-TIME WAIVER OF WHAT HE
UNDERSTANDS IS A RECENTLY IMPOSED EXPORT CONTROL REQUIREMENT
CONCERNING AMPEX'S PENDING EXPORT CONTROL LICENSE. THE
BACKGROUND OF THE CASE IS AS FOLLOWS: IN OCTOBER, AMPEX SOLD

THE CHINESE A DEMONSTRATION UNIT (REFTEL) AND ADEITIONAL UNITS
OF THE AVR-2 VIDEOTAPE RECORDER. AT AMPEX'S REQUEST, THE
CHINESE FURNISHED AN END-USE LETTER TO MEET US EXPORT CONTROL
REQUIREMENTS FOR THIS TRANSACTION. SMART UNDERSTANDS COMMERCE'S
OFFICE OF EXPORT CONTROL NOW REQUIRES FOR APPROVAL OF THIS
LICENSE AN ADDITIONAL STATEMENT THAT, SIX MONTHS AFTER
INSTALLATION, AMPEX TECHNICIANS WILL BE ALLOWED ACCESS
TO THE EXPORT-CONTROLLED MACHINERY (TO CONFIRM ITS ACTUAL
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END-USE).

2. SINCE IN THIS CASE THE DEAL ALREADY HAS BEEN CLOSED AND PRIOR US EXPORT CONTROL REQUIREMENTS SATISFIED, SMART FEARS THAT THE CHINESE WILL FIND "ON PRINCIPLE" THIS SUEDEEN ADDITIONAL US GOVERNMENT EXCON REQUIREMENT OFFENSIVE AND REFUSE TO COMPLY. THOUGH THE CHINESE HAVE BEEN COOPERATIVE IN THE PAST, THEY MIGHT BALK AT FORMALLY

COMMITTING THEMSELVES IN ADVANCE TO GRANT INSPECTION JUST TO SATISFY US REQUIREMENTS. HE BELIEVES HE HAS A GREATER CHANCE OF OBTAINING PRC ACCEPTANCE OF THIS REQUIREMENT IF IT IS RAISED WITH THEM FROM THE BEGINNING OF THE NEXT ROUND OF NEGOTIATIONS. SMART BELIEVES THE CHINESE INTEND TO PURCHASE MORE AMPEX EQUIPMENT THIS YEAR.

3. IN SUPPORT OF HIS REQUEST FOR A WAIVER OF THE ALLEGED NEW EXCON REQUIREMENT, SMART POINTS OUT THAT AMPEX TECHNICIANS WILL INSTALL THE NEW AVR-2S IN PEKING AND SHANGHAI TELEVISION AND SATELLITE FACILITIES, THUS ENSURING THAT THE INITIAL END-USE IS AS STATED. IN HIS EXPERIENCE, THE CHINESE HAVE NEVER WITHHELD FROM AMPEX TECHNICIANS ACCESS TO ANY PREVIOUSLY INSTALLED AMPEX EQUIPMENT, AND HIS OBSERVATIONS HAVE CONFIRMED THAT ALL OF IT IS BEING USED IN TELEVISION BROADCASTING. SMART BELIEVES

THAT IN AMPEX'S CASE, THE ON-GOING WEB OF PERSONAL AND COMMERCIAL RELATIONSHIPS PERMITS AMPEX TO MONITOR PRC USE OF ITS MACHINES BETTER THAN A FORMALISTIC PROMISE.

COMMENT: IF SMART'S INFORMATION IS CORRECT, THEN AMPEX MAY HAVE A POINT THAT IMPOSITION AT THIS LATE DATE OF A FURTHER US GOVERNMENT REQUIREMENT WOULD NOT SIT WELL WITH THE CHINESE. IT WOULD BE AN IRRITANT IN OUR BILATERAL COMMERCIAL RELATCTRSHPIS.

ACTION REQUESTED: WE WOULD APPRECIATE CLARIFICATION OF THE EXCON REQUIREMENT AND AN STATUS REPORT ON AMPEX'S EXPORT CONTROL LIKE SE. FURTHER, IF THERE IS SUCH A REQUIREMENT WE WOULD APPRECIATE ANYTHING THAT THE OFFICE OF EXPORT LIMITED OFFICIAL USE

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CONTROL AND THE DEPARTMENT COULD DO TO GRANT A ONE-TIME WAIVER IN THIS CASE TO FACILITATE COMPLETION OF SALE OF THIS

TYPE OF AMERICAN EQUIPMENT WHICH HAS BEEN PREVIOUSLY EXPORTED TO THE PRC.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, TELEVISION, STRATEGIC TRADE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976HONGK00542
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760014-1129
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760155/aaaabwma.tel
Line Count: 113
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 HONG KONG 12652
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2004 by ShawDG>; APPROVED <27 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXPORT CONTROL REQUIREMENTS FOR VIDEO TAPE SALES TO CHINA
TAGS: ESTC, BEXP, ETRD, ETEL, CH, US, AMPEX, (SMART, RAY)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006